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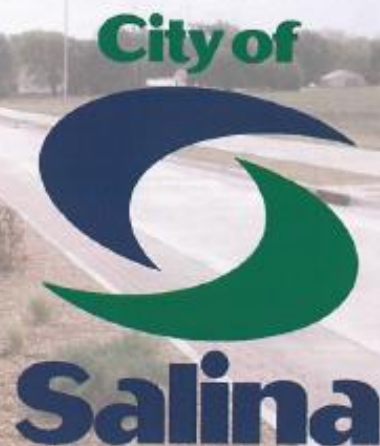
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Honoring Excellence

Salina Gets Serious About Performance Efficiencies

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The Great Recession was a challenging period in time for most local governments and businesses, and Salina was no exception. According to one Federal Reserve estimate, between December 2007 and June 2009, the United States lost nearly \$14 trillion, an entire year's worth of economic activity. To combat the immediate and long-term effects of the financial crisis, the City of Salina applied methodologies not typically seen in local government, rather in America's most efficient and successful factories. The results are astonishing. This year alone they have identified \$302,000 in one-time cost savings, \$107,000 in ongoing savings, and by 2019 they project a total cost savings of \$2.5 million. Joining over 50% of Fortune 500 Companies and only a handful of municipalities nationwide, here is how and why Salina integrated Lean Six Sigma (LSS).

Impact of the Great Recession

A year prior to the Great Recession, our organization had implemented a very progressive pay plan for our employees. We recognized that retaining and hiring the best and brightest individuals was a good organizational strategy. Then, our budget was hit with slightly declining tax revenues. This phenomenon, combined with other revenue reductions created huge budget pains. To no one's surprise, the expectation to provide quality public services remained strongly intact. While the tax decline soon subsided, it was replaced with a long-term dose of stagnancy that still exists today. The threat of layoffs appeared to be imminent, but this was not a tool that fit into our organizational values. As a result, we needed to quickly discover other options.

Certainly, addressing this structural revenue/expenditure imbalance was a top priority for our governing body. We started by applying many of the typical local government budget repair tools, including: targeted expense reductions, strategic use of attrition, conservative salary decisions, a focus on performance indicators and a conservative approach to service delivery by a highly competent executive staff. Initially this helped to stop the bleeding, but a long-term strategy was still necessary since the economy had changed drastically.

Introduction to Lean Six Sigma

In early 2011, a local resident and efficiency expert stepped into the city manager's office. He very politely said that if the City of

Salina was not implementing Lean Six Sigma (LSS), we should consider it. He offered free assistance, indicated he was not looking to work as a consultant and left behind two books: The Lean Six Sigma Pocket Toolbook and Lean Six Sigma for Service.

Although LSS tools are typically found in America's most efficient and successful factories like Salina's Philips Lighting plant, further research indicated LSS tools could successfully be applied to transaction environments and in a local government setting. Early examples of success after applying LSS tools can be found in Grand Rapids, Michigan; Fort Wayne, Indiana and Tyler, Texas. Shortly after the city manager was introduced to LSS, Salina's governing body blessed the request to hire an expert to assist in the implementation of LSS within our organization. This individual is our process improvement director, and our program is Continuous Process Improvement (CPI).

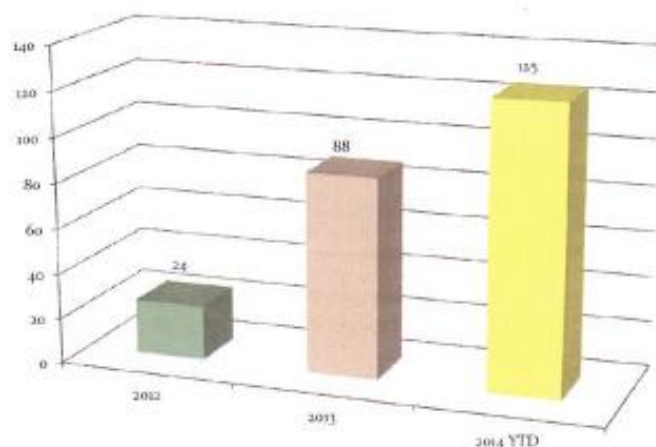
Continuous Process Improvement Methodology

Continuous improvement in government is an ongoing effort to improve services and processes. This means being faster, better and more responsive. Success from these efforts may be incremental in nature or result from a breakthrough achievement. The focus is on the process, which includes specific steps for completing a task. These processes can be defined, measured and modified. We have found that until a process has been broken down into smaller steps and critiqued, small inefficiencies are often invisible. Our intent is to create process templates that document the very best way our organization knows how to do each task. This is an adaptation from the best examples in the private sector and the foundation of Salina's model for improving city government.

Lean and Six Sigma Methodologies

Our approach involves the application of a basic Continuous Process Improvement (CPI) framework, combined with the use of Lean and Six Sigma. Both the Lean and the Six Sigma methodologies look at the same aspects of profit maximization, but from a different angle. Six Sigma focuses on the customer and end product, while Lean focuses on waste and production methods. Our approach creates a baseline foundation by documenting each step of every process in outline form. The process is standardized, improved and measured using takt time. Takt time is the average amount of time it takes to complete an entire process, including

Improvements Completed 237 Total



allowances for breaks, training and routine interruptions. Once a process is documented in this manner, annual estimates can be obtained by multiplying takt time by the frequency a process is used in one year. Calculating workload in this way allows management to determine the workload requirements for every process, position and work unit. This effort creates an amazing and powerful tool, the ability to know how long it will take to do something. Because tasks often include significant variation, shared responsibility, use of equipment and disruptions, the actual time to complete a task is quite possibly the most elusive aspect of government service delivery. The proper application of takt time solves this problem. While the application of this methodology is commonplace for a "best in class" industry, it is unique to government and is now the cornerstone of Salina's CPI model.

Eliminating Non-value-added Tasks and Maximizing Efficiency

Simply put, if a task doesn't add value to the customer or citizen, then that time is non-valuable and costs should be eliminated. This could be more than 50% of a service cost. Certainly no local government likes to admit this level of inefficiency. It is important to clarify that adequate resources do not equate to efficiency, competence and confidence are not equivalent, and all local governments have significant inefficiencies to be addressed. Lean tools focus on eliminating non-value-added tasks, maximizing process speed and reducing complexity.

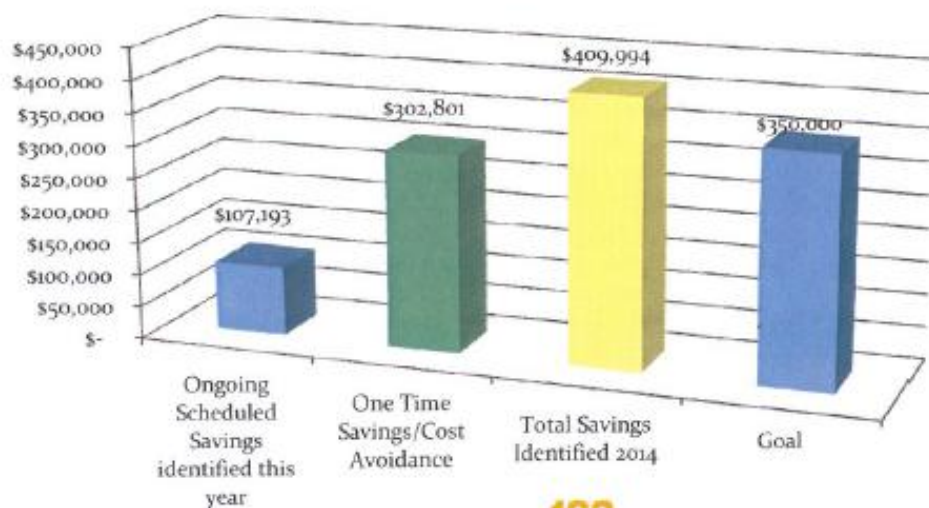
Hybrid Model Approach

Salina's approach to Lean engages all employees in eliminating non-value-added tasks by focusing their attention on Lean principles that pertain to government transactions. Our CPI model uses six categories of waste that are identified in Lean, plus two additional waste categories that are critical for government. The six common to Lean include: wasting time, mistakes, excess movement or motion of workers, inefficient processes, transporting of work and excess inventory. The City of Salina added two principles; do it right the first time and always do the right thing. These additions enhance Salina CPI model's effectiveness for government.

To remember the eight categories of non-value-added tasks, City employees created the acronym W-MEDIATE. Management is also tasked with applying other Lean principles that focus on labor utilization, supply management, efficient processing methods, the voice of the customer and effective leadership habits.

The primary intent of Six Sigma is to eliminate variation that causes defects using data-driven tools. Our Six Sigma focus is targeted to the CPI program management approach. We use small teams of experts to work on high impact projects. This strategy uses the traditional Six Sigma approach of developing a cadre of well trained green belt certified personnel. These green belts are assigned high impact projects under the direction of a black belt project leader. An executive support team led by the city manager identifies high impact projects and assigns them to these teams by

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using project charters. The PDCA/PDSA cycle (plan, do, check, act/plan, do, study and adjust) is used to guide each high impact project. To increase competency throughout the organization these teams are rotated off after six projects. This approach reduces normal operational disruptions and creates an ongoing employee development environment throughout the organization.

The Intended Outcome

The City of Salina's intent is quite simple, to create a culture of continual improvement where the following occurs: all processes have been standardized and improved; workload requirements are known for every process, position and unit; employees constantly contribute to improving processes; management applies lean principles; and high impact projects are focused on by small groups of highly trained employees. This is an ongoing incremental process for improvement. When these results are attained, the Salina municipal government will meet its long-term goal of being the most efficient local government organization in Kansas. An early indication of training and cultural success is when from time to time we hear an employee comment about how inefficient they found some aspect of a local business they have visited.

Successes and Projections


Over the past two years, the City of Salina has documented 728 processes, made 237 process efficiency improvements and increased organizational capacity by 4,652 hours. This truly begins with small projects and successes. So far this year, \$302,000 in one-time cost savings and \$107,000 in ongoing savings have been identified. With just two years of hard work using CPI, we can accurately project a five year impact of \$2.5 million in total cost-savings through efficiency gains. We do expect this number to increase in time.

This year the City of Salina was a proud partner in hosting the community's first continuous improvement conference. However, we are still in the early stages of CPI implementation. It is expected to take another three years to gain a long-term cultural foothold. Nevertheless, the key strategies are gradually gaining ground and

will eventually dovetail into furthering a culture that is destined to have significant long-term impact.

The Takeaway

LSS tools are not just a trend and shouldn't be considered a short-term panacea. They can define efficiency and are here to stay. If properly applied, over time, LSS tools can help uncover hidden inefficiencies, understand the voice of the customer, improve operations and save tax dollars. The tools can be applied comprehensively or on a case-by-case basis. It is also important to remember that any organizational change is about cultural change. A plan for cultural change that is integrated with the technical change must be created, monitored and occasionally modified. It is our suggestion that every local government at least consider applying LSS tools before ever considering raising taxes, fees or cutting services. These tools are applied in private sector organizations considered "best in class." In time, they will also define "best in class" local government organizations.

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